

Title: The Effect of Idiosyncratic Events on the Feedback between Firm Size and Innovation

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ABSTRACT

This paper explores structural and random determinants of industry market structure. The former is studied in the context of different Schumpeterian debates on the relationship between firm size and innovation (dynamic returns of scale), and the latter is studied in the context of studies that emphasize the role of idiosyncratic events, path-dependency and initial conditions in industry dynamics. The object is to better understand the determinants of empirical regularities in market share patterns by varying the type and strength of dynamic returns to scale and the size of shocks to costs.

Keywords: market structure, economies of scale, innovation, random events.

JEL Classification: L11 (market Structure: Size Distribution of Firms), 030 (Technological Change)